Testimony of Ken Crowley of Woodbury, Connecticut

Joint Standing Committee on Transportation Public Hearing

State Legislative Office Building,

Hartford, Connecticut

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Good afternoon, Senator Leone, Representative Guerrera, Senator Boucher, Representative O'Dea, members of the Transportation Committee, my name is Ken Crowley of Woodbury, Connecticut. I am a member of the board of the Connecticut Automotive Retailers Association (CARA) and Chairman of the CARA Legislative Committee.

I am here to testify on H.B. No. 6820 (RAISED) AN ACT CONCERNING PROVISIONS OF THE FRANCHISE ACT GOVERNING AGREEMENTS BETWEEN AUTOMOBILE MANUFACTURERS OR DISTRIBUTORS AND AUTOMOBILE DEALERS.

I'm president of the Crowley Auto Group representing 9 franchises including Kia, Nissan, VW, Ford, Lincoln, Chrysler, Jeep, Dodge and RAM. I employ 310 employees at my stores in Plainville and Bristol.

Over the last year the 270 CARA dealers reached 1 billion dollars in sales in this state, those sales allowed us to employ over 13,000 employees in jobs that on average pay nearly $60,000 per year with benefits and account for 15% of Connecticut's retail sales. Locally owned stores enhance competition for sales and service which benefits the consumer. Our profits stay right here in our state, they are reinvested locally in state business where we buy products and services that our businesses need, spend hundreds of millions of dollars in our local economies and pay millions in local property taxes to our towns.

Additionally, my business last year contributed $100,000 to local charities and our association CARA and our individual members contributed millions of dollars last year and in previous years to local charitable organizations and causes. We are good corporate citizens.

That being said, the Connecticut Franchise Act and similar laws in the other 49 states define fair and reasonable standards in the relationship between locally owned new car dealerships and the large multinational manufacturers of the vehicles we sell and service. Dealerships, almost all of which are family owned, have been selling vehicles under the franchise system for 100 years. The franchise act which has been on the books for 40 years is a good law with strong public policy reasons behind it, but every few years it needs to be adjusted.

The bill before you is a good bill… I and our dealers support it. But it is unfinished and falls short of what Connecticut needs to adopt to be on par with what almost all the other states have adopted since 2009.

In a nutshell the bill addresses the audit and chargeback issues by making the look-back period one year and providing an exception for clerical errors. This very similar language is already part of the law in New York.

The bill draft is simple and clarifies how the termination assistance (currently defined as fair and reasonable and/or fair market value) is actually calculated. This is designed to eliminate disputes by providing certainty in the determination. For example, existing law states that when it comes time for a dealer to return all "special tools" or "signage" that the manufacturer required the dealer to buy, the dealer is entitled to the "fair market value" for such items, but does not indicate how the fair market value for such unique items are calculated. The proposed language is already included in most of our surrounding states' laws.

The bill addresses the manufacturer's obligations in the event that it discontinues a line make or otherwise terminates a dealer for reasons not due to the dealer's breach of the dealer agreement. Some recent examples of this include the elimination of Hummer, Saab, Mercury, Pontiac, Suzuki, and Saturn. There is language in existing law that addresses the manufacturer's obligations in that event. The language in the bill expands and clarifies based on the real world examples our dealers have experienced.

Lastly the bill addresses and clarifies the manufacturer's right to exercise a right of first refusal when a dealership franchise is sold. The right of first refusal language makes clear that the manufacturer can exercise its right, except in limited circumstances namely when the business is transferred to family members, which is fairly standard and in existing law in several surrounding states.

What is most important for you to know is that the bill does not address the most urgent need to correct unfair and unreasonable practices by manufacturers with respect to dealership facilities requirements. At our first meeting and at the direction of the committee Chairman, Representative Guerrera, agreement was reached in principal with all parties that dealers would have certain protections. It was agreed that during an 8 year period, after a dealers spends millions of dollars on substantial facility upgrades, that dealers would be entitled to payment of facility incentives so long as the dealer was substantially compliant with facility requirements. And, for example a dealer would have the option to use alternative locally/Connecticut purchased materials so long as they are substantially similar and meet a defined substantial compliance standard.

Unfortunately, after the meeting with the Chairman some, but not all of the manufacturers would only agree to language that would essentially gut the agreed upon resolution. We believe we can work out this issue in good faith.

It is our hope that the committee and the leadership will support this bill going forward but with the caveat, that substitute language be included prior to JF time to address this matter.

Thank you for listening to my comments. I am happy to answer your questions.